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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 824 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — March 19, 1953 DATE

REF : --

Action Assigned to MAR 20 1953

Action Taken

2 For Dept. Use Only mlr	ACTION OLF	DEPT. REP ARA E I IBS IFI RE IPS 3-26-53
	REC'D MAR 21	INFO OTHER AG COMM FRB IN TR XMB ARMY NAVY AIR OSD CIA

SUBJECT: WEEKA NO. 12 - ECONOMIC SECTION

Action Officer Symbol IAD

Name of Officer

SECTION II

Directed to DC

DECLASSIFICATION DATE 11-3-78 PER EMMYSA OFFICE ARA FADRC FOI CASE NO. 740332

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Summary

A 1953-54 National budget of $72,729,054 which would be the largest in Guatemala's history was presented for Congressional approval and Sr. Gregorio PREM Beteta, Minister of Finance, said that the Government's public works program was the principal reason for the 14 percent increase over the 1952-53 budget. Execution of the public works program was also mentioned as the reason for four new tax measures, including a progressive real estate tax, which Sr. Prem sent to Congress. Reportedly due to a dispute over the 1953-54 budget for the previously autonomous Atlantic Highway department control of all highway construction was centralized under Sr. Constantino BERNASCONI, Director General of Highways.

National Budget

A 1953-54 National budget of $72,729,054, the largest in Guatemala's history and 14 percent higher than the revised 1952-53 budget, was sent to Congress this week by the Executive. If approved it would increase the Extraordinary Expenditure budget to $24,076,061, about $8,000,000 more than 1952-53, and raise the budgets of the Presidency, the Ministry of Defense, and the Ministry of Education by about $500,000 each. The only decrease would be in the $1,904,506 assigned to service the public debt compared with $3,000,429 in 1952-53. The National Agrarian Department budget was not listed separately but it is apparently included under the Presidency, thus accounting for the $500,000 increase for that department.

Sr. Gregorio Prem Beteta, Minister of Finance, told the press that the large increase in the budget was principally due to the Government's public works program, which included construction of a $5,000,000 port at Santo Tomás, a 30,000 Kw.

EHMiller:dm
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$6,000,000 hydroelectric plant to serve the Guatemala City area, and paved highways (WEEKA No. 11); and that about $22,000,000 of the Extraordinary Expenditures budget was for public works. Sr. Prem also stated that he had "observed an increase in Government revenues during the past five years and considered it appropriate to take immediate advantage of the increased funds in the realization of projects which should not be postponed". It will be recalled that the new port and hydroelectric plant will partially duplicate facilities operated by private United States-owned firms.

Taxes

Asserting that "the Government must increase its income in order to carry out the vast public works program planned for the 1953-54 fiscal year" (WEEKA No. 11), Sr. Prem Beteta submitted to Congress four tax measures which he said would provide annual revenues of about $5,000,000. The new tax bills include a progressive real estate tax, an additional $.01 to $.015 manufacturers' tax on cigarettes, a tax of 10 percent on the duties on air parcel post imports, and increased excise taxes on beer.

The real estate tax, which is expected to supply the larger part of the new revenues, would replace the present flat 0.3 percent tax with a schedule beginning with a 1.0 percent levy on properties valued at $100 to $1,000 and increasing to a maximum 2.0 percent tax on properties assessed at $100,000 or more. Real estate has always been a favorite investment for Guatemalans because of low taxes and assessed values. However, the new taxes, plus a recently announced property reassessment program, are not likely to encourage a shift to industrial or agricultural investments because under present circumstances they would continue to be less attractive than real estate investments.

Highways

Administration of Guatemala's large highway construction program was unified this week when Sr. Constantino Bernasconi, Director General of Highways, was appointed to take charge of the Atlantic Highway project, which had previously been an autonomous department. There have been recurrent rumors of irregularities in connection with Atlantic Highway funds and the press reported that the reorganization was due to a dispute over that project's 1953-54 budget.

William L. Krieg
Chargé d'Affaires, a.i.

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